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New Soviet trade overtures have produced no significant changes in the East-West trading pattern, but they apparently will lead to some expansion and have already reinforced the insistence of the European COCOM members on exceptions to strategic controls.

PROSPECTS FOR THE YOSHIDA GOVERNMENT [REDACTED]

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The survival of Japan's new minority government depends on the ability of Premier Yoshida and his Liberal Party to gain the continuing cooperation of the Progressives, but its prospects are not good.

ELECTION YEAR PROSPECTS IN THE PHILIPPINES [REDACTED]

Philippine President Quirino apparently intends to obtain re-election next November by any means. The reaction to a fraudulent Liberal victory is much more likely to be violent than was the case four years ago.

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This is the first issue of a new publication of the Office of Current Intelligence. The CURRENT INTELLIGENCE WEEKLY will appear every Friday, and analyze political, economic, and military developments in greater detail and from a longer range viewpoint than is possible in a daily publication.

Distribution will be approximately the same as for the DAILY DIGEST. Requests for additions to the distribution list should be addressed to the Office of Current Intelligence.

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THE LINGUISTIC STATES PROBLEM IN INDIA

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Continued accession by the Congress Party and the Indian government to increasing demands for separate linguistic states could lead to a serious weakening or breakdown of India's system of strong federal government. (SEE MAP)

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THE SOVIET WORLD
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The Soviet decision to appoint a civilian high commissioner for Germany in place of the former Control Commission under General Chuikov is an administrative change not in itself indicative of a major policy shift. The move, which de-emphasizes the authority of the military, corresponds to a similar one by the Western powers in 1949 but indicates no diminution of Soviet control. It may be intended to appeal to East and West German public opinion, and to hint at the possibility of future negotiations on Germany, thus giving impetus to Western differences on the proper approach to the German problem and general world issues.

In this connection, the first secretary of the Soviet embassy in London told an American embassy officer that the Austrian problem must be solved together with the German. In an apparent effort to create the impression of Soviet willingness to negotiate, he expressed the belief that there is no reason why Germany could not be unified after free elections on a proportional basis, with the present Oder-Neisse frontier maintained. His statement that Secretary Dulles had overemphasized the Austrian treaty as evidence of the USSR's peaceful intentions is another indication of the Soviet aversion to any such test.

The Soviet diplomat echoed some recent remarks by Vyshinsky when he stated the conviction that there would be an armistice in Korea. He pointed out that the hostilities had been a severe drain on the USSR and China as well as the United States.

Moscow's propaganda output during the past week was characterized by a complete lack of editorial exploitation of outstanding international developments. No comment accompanied the publication of the Kremlin's decisions on Austria and Germany, the factual summaries of Taft's and Eisenhower's statements regarding the Korean situation, or the Communist communiques on the Korean negotiations. Thus Moscow avoided revelation of its future policy on these issues, giving instead the impression of a wait-and-see attitude toward Western developments.

Concurring with the view of the American embassy in Belgrade, Ambassador Bohlen in Moscow doubts that the USSR now intends or is able to offer the Yugoslav leaders

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concessions important enough to entice them back into the Orbit. Ostensibly conciliatory steps by the Kremlin have been cancelled out by other developments. For instance, the Yugoslav team in the European basketball championships in Moscow was subjected to organized booing and hissing from the audience. One man who shouted "Long live Yugoslavia!" was immediately dragged out by the police. While appealing to any Cominform sympathy still remaining in Yugoslavia, the Kremlin apparently regards it as a practicing member of the Western bloc and treats it accordingly.

Additional manifestations of the hardships of the peoples of Eastern Europe have appeared in recent weeks. The shortage and high price of food in both Hungary and Rumania have become more serious. The disparity between low wages and high food prices has forced numerous Budapest citizens to pawn personal possessions. Severe food shortages and rising prices in Bucharest led to incidents among sullen market place crowds and forced the government to ban purchase of food in the city by peasants whose entire product had been commandeered.

The drastic monetary reforms announced by the Czechoslovak government on 30 May reduce personal savings by over 80 percent and, through a preferential currency exchange rate, will be used as a weapon against "kulaks," private employers and speculators. The same decree abolishes rationing and establishes a new uniform price index in some cases several times higher than previous prices for rationed goods.

Although wages are also increased, the reform will probably have the net effect of considerably reducing real income. The measure, which eliminates excess purchasing power, is aimed at increasing labor productivity by forcing the worker to rely solely on current income to meet his daily expenses.

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DE GASPERI'S PROSPECTS ON THE EVE OF THE 7 JUNE ELECTIONS

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Despite serious threats from the Nenni Socialists and the Monarchists, Premier de Gasperi's center electoral bloc is still expected to win the 7 June elections by a slim majority.

The American embassy foresees serious post-electoral trouble for Premier de Gasperi in the Senate, however. If the extreme right were to gain a near balance-of-power position in this body, it would threaten both government stability and Italy's commitment to cooperation in Western defense.

The closing weeks of the Italian electoral campaign have been marked by strong drives by the Nenni Socialists on the left and the Monarchists on the right, and comparative apathy on the part of center elements. Both political extremes have been concentrating their invective on De Gasperi's Christian Democrats, evidently hoping to cut into the center's strength to an even greater extent than in the 1951-52 local elections (see chart, p.9). Both have been exploiting the government's inability to achieve a Trieste settlement, its failure to solve the country's economic problems, and the general unpopularity of the new electoral law which gives a bonus of lower house seats to the bloc winning even a bare popular majority.

The most serious threat to De Gasperi from the left springs from the Nenni Socialists, who are expected to improve their own 1951-52 showings and ensure that the Social-Communist alliance does not fall materially below the 35 percent of the vote which it polled then.

De Gasperi's chief danger from the right comes from the Monarchists, whose campaign has been even more effective than that of their neo-Fascist allies. Much of the Monarchist threat comes from the appeal to the 10,700,000 Italians who in 1946 voted to retain the king. This appeal is especially strong in the south, where the monarchy has traditionally been popular and where desperate poverty works against the government's plea for united anti-Communist support.

None of the three minor democratic parties allied with the Christian Democrats has drawn enthusiastic audiences. Of the three, the Liberals, who are the least closely associated with the present government, have shown the most strength and have the best chance to gain. All three evidently hold

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to their electoral alliance with De Gasperi mainly from fear of the Communists and neo-Fascists.

Public apathy has also disturbed top Christian Democratic leaders who have expressed fears of widespread absenteeism at the polls. Recently, however, Luigi Gedda, the authoritarian-minded leader of Catholic Action, who reportedly expects to exert a strong influence on a new Christian Democratic government, has put the movement's civic committees into vigorous action behind the Christian Democrats. The clergy have also given considerable indirect support from the pulpit.

Anticipation of a possible stalemate is suggested by the guarded overtures from leaders in several parties for new political alliances after the elections. Pietro Nenni announced that the Christian Democrats are a party with which his Socialists could collaborate and reportedly has sent an emissary to De Gasperi. Former Marshal Graziani, speaking for the neo-Fascists, also publicly praised the Christian Democratic record. On the Christian Democrat side, the party secretary has reportedly drawn up a plan for a post-election alliance with the Monarchists -- a scheme favored also by Gedda. De Gasperi himself, however, has been carefully neutral in his public utterances, and has concentrated instead on holding together the shaky center coalition.

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[REDACTED]

[REDACTED] The American embassy's latest estimate is a bare popular majority for De Gasperi's bloc, with the new electoral law then guaranteeing him easy control of the lower house. Since this law does not apply to the Senate, however, the Monarchists might still achieve something very close to a balance-of-power position there.

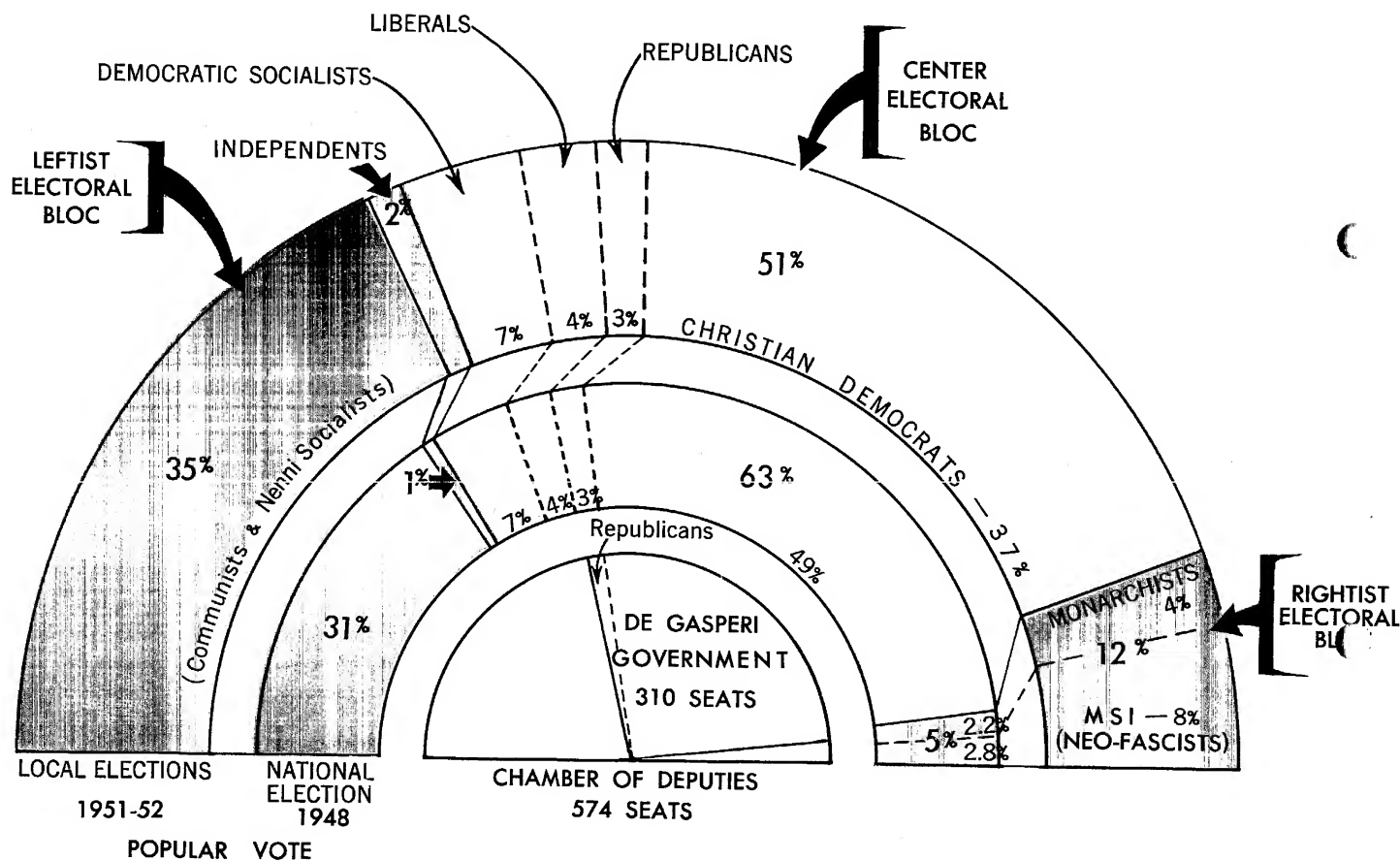
The premier himself seems to recognize that this parliamentary situation might confront him with the alternatives of allying himself with the Monarchists at the cost of defections by certain of his left and center supporters, or making a pact with Nenni at the cost of grave conflict within the Christian Democratic right wing.

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THE VOTING STRENGTH OF THE ITALIAN POLITICAL PARTIES



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**SOVIET BLOC TRADE OVERTURES ENDANGER WESTERN
EXPORT CONTROLS**

New Soviet trade overtures have produced no significant changes in the East-West trading pattern, but they apparently will lead to some expansion and have already reinforced the insistence of the European COCOM members on exceptions to strategic controls.

The new approaches stand a good chance of success because of the climate of opinion in many Western countries. A growing desire by both business groups and governments for more trade with the Orbit has been evident since 1949, when new markets for the recovering industries were seen to be essential, and the prospective decline in dollar aid necessitated a shift to non-dollar imports. Western European governments fear that new tariff barriers will be raised by the United States. The Soviet Union has been exploiting this fear through propaganda attacks on US "protectionist policy" and assertions that Western European economic welfare is dependent on trade with the bloc.

In the plenary session of the Geneva meeting of the Economic Commission for Europe in mid-April, the speeches of Soviet bloc delegates were very moderate in tone, departing from the previous practice of attacking western export controls and favoring expansion of East-West trade. The Soviet delegate stated that a 15 to 20 percent increase in Soviet exports to the West might be possible. He suggested that grains, timber, coal, petroleum, manganese ore and asbestos could be exchanged for such Western items as ships, metals and industrial equipment. Most of these Western products are subject to existing export controls.

Some 80 bilateral trade talks between Soviet bloc and Western countries followed the Geneva plenary sessions and a number of trade deals will probably result from these and subsequent negotiations. In addition, Soviet bloc observers at the mid-May meeting of the International Chamber of Commerce in Vienna have reportedly been seeking unofficial contacts with Western delegates in order to explore trade possibilities.

The Orbit has adopted a more realistic attitude in its attempts to include strategic items in trade agreements with

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Western Europe. In cases like Italy and Austria where its bargaining position is very strong, it continues to insist on large-scale deliveries of strategic goods. In renewal of trade agreements with the Scandinavian countries, whose dependence on Polish coal has decreased, it has modified its demands.

Italy has been especially vulnerable to Soviet overtures in view of the coming election and the heavy pressure of business groups. Recently, the Italian ambassador in Moscow revealed to American officials that the USSR was increasing pressure by belittling the importance of past Italian exports and emphasizing his government's eagerness for "serious and important" trade.

Some of the dangers to the West are already apparent in connection with Italy's negotiations with Satellite countries. When Italy insisted in COCOM on shipping \$1,000,000 worth of embargoed bearings to Czechoslovakia, only Belgium upheld American protests. All COCOM countries except the United States upheld an Italian proposal to lease 100 List I tank cars to Rumania, allegedly for the transport of wine.

Shortly after the Geneva talks, the French Economic Affairs Ministry predicted that they would lead to an expansion of trade with the Orbit. Paris has recently resumed the trade talks interrupted last summer. It insists on furnishing the USSR 2,000 tons of lead as well as six cargo ships which American officials definitely place in a restricted ocean transport category. Moscow has offered to pay higher than existing world prices for these goods; France is attempting to justify its position partly on the basis of the need to reduce its serious EPU deficit. In seeking to provide the cargo ships, France is reversing its stand of last year in COCOM when it opposed a Dutch request to deliver ships to the USSR.

In the absence of diplomatic relations between Bonn and Moscow, a semi-official West German trade organization sent representatives to the Geneva talks, but has thus far declined a Soviet invitation to bilateral talks in Moscow. The Bonn government, moreover, has given categorical assurances to American officials that it will not permit shipment of strategic goods to the bloc.

Britain's long-professed support of expanded trade with the Orbit in non-strategic items is unchanged. The Soviet

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trade delegation in London recently approached the British Food Ministry and asked what quantities of wheat and coarse grain it required, quoting prices and offering early delivery. Last October the USSR was willing to make only a short-term grain contract with Britain, probably because of a desire to connect subsequent renewal of the contract with the licensing of British rubber shipments.

Denmark, eager for non-dollar imports of feedgrains, is negotiating an agreement which would double its trade with the USSR. The only strategic item involved, however, is refrigerator ships.

Soviet officials have indicated that they are prepared to export any amount of wheat to India. Although this offer has been greeted with some suspicion in view of the limited amounts the USSR has actually shipped in the past, the Indian food minister plans to visit Moscow in July to discuss the matter.

Politically the bloc is still using trade and trade propaganda, but more skillfully than in the past, to undermine Western solidarity. Economically it seeks a limited increase in trade to supplement bloc production of those commodities still in limited supply and to raise its industrial production levels in the immediate future.

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PROSPECTS FOR THE YOSHIDA GOVERNMENT

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The survival of Japan's new minority government depends on the ability of Premier Yoshida and his Liberal Party to gain the continuing cooperation of the Progressives. While these two conservative groups have no serious differences on policy, they are afflicted with personal animosities and individual power struggles which work against an extended tenure for the present government.

Progressive president Shigemitsu's pledge of constructive opposition to the Liberals and cooperation with them on certain matters of national interest marked the first break in the opposition front which unseated the Yoshida regime and placed non-Liberals in key Diet posts. If the subsequent Progressive secession from the opposition and support of the Liberals in the allocation of Lower House standing committee chairmanships leads to continuing cooperation, the prospects for government stability may improve.

The Yoshida government now faces crucial tests on the 1953-54 national budget and the ratification of the United States-Japan treaty of friendship, commerce and navigation. Later the regime must meet the more hazardous problems of rearmament, reparations, the revision of several occupation-sponsored reforms, and the settlement of Japan's debt for aid during the occupation. Should Yoshida fail to gain Progressive support, he must compromise on these and other vital issues or risk another no-confidence vote.

The Progressives' past anti-Yoshida tactics have been based on political expediency. While their policies generally are more conservative and nationalistic than those of the Liberals, they do not preclude cooperation with the government party or in themselves presage serious difficulties for American policy.

The antipathy of all parties to another election gives some hope that the Yoshida regime will survive long enough to effect a rapprochement among the conservatives. There is considerable pressure for unity from business interests and from the public. The basic problem is whether the forces working for conservative amalgamation will prove stronger than the divisive personal rivalries among the right-wing Japanese politicians.

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ELECTION YEAR PROSPECTS IN THE PHILIPPINES

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Manipulation of the Philippine Liberal Party convention on 24 May by President Quirino's supporters, who overrode a pro-Romulo movement, is convincing evidence that the president intends to obtain re-election next November by any means. The reaction of both the public and other political groups to a fraudulent Liberal victory is much more likely to be violent than was the case four years ago.

The most unpredictable factor in the campaign is Quirino's health.

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In the event of his death, Vice President Lopez, who is currently backing Romulo's candidacy, would become president and by virtue of his office be in a strong position to name a new Liberal candidate.

Carlos Romulo's newly-formed Democratic Party is not likely to have a major effect on the campaign. It might draw some financial support away from Ramon Magsaysay, the Nacionalista candidate, and undoubtedly some votes from both Nacionalistas and Liberals. Romulo has had no practical experience in Philippine politics, however, and the organizational strength of the Liberal leaders he has attracted does not compare with Quirino's. It is probable that as the election draws nearer, at least some, if not all, of the new group's members will line up with the Nacionalistas in supporting Magsaysay.

The principal strength of Magsaysay lies in his popular appeal. He has emerged as the one Filipino leader who appears to represent a clean break with the reactionary and corrupt politicians characteristic of both parties. He is relatively inexperienced in politics, but the Nacionalista leaders who chose him are seasoned politicians. They offer little more hope for better government than the Liberals, but if Magsaysay is able to establish himself as the leader of a winning party, he might gradually supplant the old guard with younger, more progressive men.

Quirino is unpopular and his party has been weakened to some extent by Romulo's defection; he must, therefore, depend heavily on arbitrary use of his executive power to win the election. Through his control of provincial appointments,

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the use of government funds, [REDACTED]

[REDACTED] Quirino heads a formidable party machine which can deliver a heavy vote.

Ten days before the convention, he reportedly said he would win the nomination and the election and was prepared to use the army if any serious opposition arose. During the past few months, he has reassigned a number of army and constabulary officers in order to have his men stationed where they can watch the polls.

The president's brother, Antonio Quirino, has been in contact with the Huk insurgents. His purpose is apparently to arrange some sort of dramatic Huk surrender to regain the administration's popularity. There is danger in such a scheme, however. During the past year political infiltration has been the major element of Huk strategy and a deal with the government would give them a unique opportunity. They are in an improved position to capitalize on any outbreak accompanying the elections and on the intense political maneuvering between now and November.

Four years ago Quirino defeated Jose Laurel in an election marked by extensive fraud and coercion. There was strong public revulsion, and by 1951 the demand for a free election was well enough organized to make a repeat performance impractical. The Liberals were badly beaten in the relatively clean elections that year, but the presidency was not at stake.

The campaign and election this year provide a critical test for democratic processes in the Philippines. The opposition will almost certainly not accept quietly a fraudulent Liberal victory. There is a possibility that Nacionalista leaders, seeing the election stolen or about to be stolen, would ask for some form of American intervention.

Magsaysay apparently has no intention or desire to lead a rebellion or attempt a coup d'etat. Should he be cheated of victory, however, a violent reaction is very likely and he could scarcely escape involvement in it. Bloodshed would be a strong probability, particularly so since many army officers remain loyal to Magsaysay.

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THE LINGUISTIC STATES PROBLEM IN INDIA

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Recent public reversals of policy indicate that the Congress Party and the Indian government are surrendering to political pressure for revising state boundaries along linguistic lines. Thus, the party and the government are admitting defeat on a major point of national policy for the first time since India became independent in 1947.

Further accession to the demands of linguistic groups could lead to a serious weakening of India's federal government, the destruction of national unity, and the rise of petty states such as existed on the subcontinent prior to the arrival of the British in the 17th century.

As a concession to nationalistic pride, the constitution of India specifies that Hindi, a tongue spoken only in north central India and by about a third of the total Indian population, shall be the national language (see map, p. 18). The constitution adds, however, that English shall continue to be the official language of government for 15 years, unless otherwise decided by law. The right of individual states officially to adopt languages other than English and Hindi is also recognized, provided that English or Hindi be used in interstate communications and in dealings with the national government.

When India became independent in 1947, Prime Minister Nehru and Congress Party leaders foresaw the difficulty of teaching Hindi to 250,000,000 people to whom it was not native. Therefore, while admitting the desirability of a native national language and acknowledging the wishes of minority groups to continue speaking their mother tongues, they sought to discourage any move that would complicate state and national administration.

In the six years since independence, however, the pristine spirit of optimism and national unity has diminished. The Congress-controlled government has shown itself incapable of rapidly solving the country's outstanding political and economic problems. Dissatisfaction has increased, especially over failure to raise the standard of living, and various special-interest groups have arisen.

The most successful of these groups has been that demanding a separate state of Andhra, to include the Telugu-speaking areas of Madras and Hyderabad states in south India. Heavily

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infiltrated by Communists, who are stronger here than in any other part of India, and including dissident ex-Congress members and Socialists, this group has pressed its case with increasing vigor. Finally, in the apparent hope of diminishing or ending the agitation, Prime Minister Nehru announced on 10 December 1952 that he favored formation of an Andhra state, including, however, only the Telugu-speaking portions of Madras.

On 16 December, demonstrations, violence, sabotage, and looting broke out in northern Madras following the death of a man who had been fasting to force government action. On 19 December, seemingly if not actually influenced by the fierceness of the rioting, Nehru announced a firm decision to form the new state, now set for 1 October 1953.

This step represented a major reversal of policy. Instead of satisfying anyone, it immediately led to further agitation for the inclusion of eastern Hyderabad in Andhra. It also encouraged other linguistic groups in Bombay, Rajasthan, Saurashtra, and Madhya Pradesh states in south and central India to step up their demands. A group of Sikhs, a north Indian religious sect, called for a separate state in the Punjab.

Apparently acceding to this mounting pressure, the annual meeting of the Congress Party on 18 January 1953 passed a resolution approving linguistic states. On 17 May, the Congress Party Working Committee went even further and resolved that state languages must be encouraged, that the local tongue, rather than Hindi, should be the medium of primary education, and that Urdu, the national language of Pakistan, was one of India's principal tongues and deserved due recognition.

This last resolution strongly suggests that the Congress Party has acknowledged defeat in preventing the growth of divisive linguistic tendencies. All signs point to the probability that these forces of separatism and provincialism are growing stronger. If the central government cannot control them, additional states will have to be established. This will lead to further complex problems of organization, financing and administration.

As a result, the strength of the federal government could be seriously weakened, and India could degenerate into a group of petty states devoid of any sense of national unity.

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